In the Wake of Davos: “Strong Economic Medicine” for the European Union

The Fed overshadow's the European Central Bank

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On Friday from the Bilderberg conclave at Davos, appointed European Central Bank President, Mario Draghi proclaimed that Europe had averted financial disaster and cited the improvement in euro zone markets in recent weeks. He said it was the ECB’s duty to guard against deflation as well as inflation. The fact of the matter is that he and his friends at the Fed arranged a currency swap of $1 trillion of which the ECB dispersed $660 billion to 523 EU banks, at 1% interest for three years. He also cut interest rates twice and extended loans for 1 to 3 years. Mr. Draghi could be expected to take the easy Anglo-American way out. He is fully Illuminati trained and that is where his orders emanate from.

He continued about how the conclusion of a fiscal pact, the ESM, the European Stabilization Mechanism, where budgets and fiscal spending policies would be determined by unelected, Treasury appointees, who have been officially immunized by the EU government. Mr. Draghi makes no note of these qualifications and forgets to let us know that in this new ESM pact all the nations lose their sovereignty.

As yet, after a month, there is no evidence that the funds had reached the real economy. The banks that just received the funds at 1% interest have been depositing them at ¼% interest with the ECB. They have not lent to each other because bankers say they do not trust each other. What a sad state of affairs. In addition to the above the ECB now accepts loan collateral of much lower quality than previously was approved. As you can see there were a lot of facts Mr. Draghi deliberately left out.

Now the banks have to use these funds to refund old and new debt and lend to keep the economies afloat. They also have to play their parts in keeping the six problem nations afloat.

Concerning the subject of Greece we were told last Friday a deal would be announced but nothing has happened as yet. The outlook is grim and the fundamentals are terrible. We won’t rehash Greece, because we have been over it so many times. We will wait to see what this week brings.

The Portuguese economy is falling deeper into austerity. Bank lending has fallen by the most on record. It fell $6.5 in December the biggest monthly decline since December 197, when the ECB began collecting data. Portugal, if they’ like to recover, should be using the LTRO funds to make loans to small and medium sized companies.

The Kiel Institute for the World Economy says Portugal would have to have a budget surplus of 11% of GDP annually. If they had 2% growth, which is a tall order, it would need a 56% haircut on its debt to get back on a sustainable path to recovery.

Gold finally out of that early on mess, finally had a good month, up just under 10%. That is the best January since 1980. We remember January 1980 well – it was the final month of the gold rally. Oddly enough the shares topped out in June with gold trading at $680 to $720. We would like to say that the 3 gold and silver suppressions of this past 2011 and 2012 has pointed out in stark relief that the US government has been very actively manipulating gold and silver prices, legally, since 1980. We mention this because short-term charts are terribly distorted and for us you cannot use them. The advocates are out again with their charts and believe we hope they are right. As usual as they have been, they will be wrong. They'll soon call for reversal and as they do gold and silver will go higher.

After having loaned the ECB $1 trillion they now tell us we'll receive QE 3. In fractional banking that could be $10 to $20 trillion. Any substantial part of those funds are used and monetized you'll see some stunning inflation.

Election is in view and employment is not improving. The Fed has pledged that it is prepared to provide for further monetary accommodation. Inflation is headed higher, not lower. All that money and credit will influence inflation. Yes, the EU, US and UK economies will be flat this year and probably slightly higher. What we are doing with QE 3 and other types of stimulus is just extending the game.

If everything is fine why did the US Mint sell 114,500 ounces of American Gold Eagles with still two days left in January to accommodate buyers? Maybe the total will be 145,000, the largest sale in 1-1/2 years. It's because people do not trust their economies and their governments that is why and they are buying gold and silver coins to protect themselves. They only have to look at the Republican Presidential primaries where votes are stolen by computer, dead people vote and Ron Paul doesn't get a chance to state his case. Our government is a criminal syndicate. All those American gold and silver buyers know this, and that is why they want gold and silver coins, not fiat dollars.

Finally we are starting to see money managers, hedge funds, and others getting more bullish on gold. This should lead to short covering in gold and silver and the shares

Here we have QE 3 in the works as we predicted months ago. We said it would consist of the Fed buying the banks garbage so they have cash to follow the Fed's orders. Those orders will be to buy Treasuries, Agencies and to make loans to small and medium companies. Before the Fed bought $1.4 trillion of this paper, mostly MBS and CDO's. We never found out what the Fed paid for previous purchases and we won't this time either. This is another gift the Fed, or should we say taxpayer gives the to the banks. What we are seeing in Europe and again shortly here is another stuffing of the system with money and credit. The Fed is headed down the road of no return and they know exactly what they are doing. That is playing money and credit creation to the bitter end. Historically no central bank has had the power to do this. If played out to the end we have to expect hyperinflationary depression, which will end in a deflationary depressionary collapse. This will destroy the value of the US dollar and its purchasing power. The entire system will probably collapse to a great extent including perhaps 60% of commerce, 40% to 50% unemployment, and the end of the financial system and resorting to bartering, the social support system and government. They will all collapse, so you had better prepare for it. All this will be expedited if Ron Paul is not elected our next president. If he were to be elected he could short-circuit many programs and policies that are destroying our nation.

The moves by the elitist Fed via the ECB to cover-up the monetary and financial chaos in Europe and in the US via QE 3 is in part political. Political in France and toward the next elections. France is a nightmare for the elitists and obviously those in power want Obama returned. He having done everything asked of him.

As we predicted last fall that QE 3 will come in the form of another bank bailout. This time it will be the clearing of toxic bonds from the banks' books, which was done by buying $1.4 trillion in these bonds previously. We expect $800 billion to $1.3 trillion this time around. The disbursement of these funds should last 12 to 18 months. These moves were in part responsible for our change in GDP for the US this year from minus 1-1/2% to 2% to plus 1-1/2% to 2%.

In the latest out of Europe, Germany is pushing Greece to relinquish control over its budget policies to a euro zone "budget commissioner," who would be able to veto domestic fiscal decisions, similar to the powers they want to grant to the ESM.

German logic is if further funds are not dispersed, Greece cannot threaten its members with default, but will have to accept outside fiscal control with funs. The game being paid by Germany is dangerous and could lead to immediate default. In addition any deal made in February by the PASOK government is subject to change in two months by a new election victor and party in charge. The German position is dumb and ultimately won't work.

The Greeks are not going to like or accept the German demands. There will be demonstrations and the new policies may go nowhere. From the Greek side, when you have lost almost everything there is little more to lose. Unfortunately, we predicted all this but few were listening.

After putting the present regime in power 25 years ago in Iran the US has had nothing but problems, the latest and most important has been the sale of oil in currencies other than the US dollar. Asked many times, Iran refuses to comply. This is the main reason the US and Europe are so aggressive in pursuing Iran. Underneath it all it is all about petrodollars. This is why Iraq was destroyed and Libya as well. The US could not tolerate Iraq selling oil in euros. Anyone who steps out of line gets zapped, no matter who it is. At the IMF a year ago director Dominique Strauss-Kahn called for a different currency to, a new world currency, to end the dominance of the dollar. As a result he was set up in a hotel in NYC for rape. We immediately pointed out this was a bag job and so it was, but it got him out of his IMF job, he couldn't run for the French presidency and they destroyed his reputation. This shows you how far and even further the US Illuminists will go to protect their oil monopoly and fixed oil payments in US dollars only. Strauss-Kahn is a top Illuminist and they still destroyed him. If the dollar becomes only one of many currencies in which oil is sold, the dollar will then collapse. For the US, the barn door has closed, but the farm animals are already loose.

At Davos this past week the US Secretary of the Treasury, Timothy Geithner, urged the euro zone to boost its cache of bailout cash and protect Italy and Spain against the threat of a market rout. At the same time the new IMF leader Christine Lagarde urged Greece and its creditors to agree on cutting debt burdens.

What we see here is a request for more funds. The Fed just did a swap, a loan, for $1 trillion for the ECB in behalf of 523 EU banks. Obviously it wasn't enough and obviously they would rather borrow from the ECB and the Fed rather than go the fractional route. We will see more money spilled but never really enough.

While these events ran paramount on Friday night, while most everybody was enjoying themselves, Fitch cut Italy's rating 2 notches to A minus. Joining the group n being downgraded we saw the same medicine applied to Spain, Belgium, Slovenia and Cyprus.

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